



FINANCIAL MANAGEMENT STATUS REPORT AND STRATEGIC PLAN

IX. FRANCHISING

The Department provides centralized services to Interior clients and clients outside the Department through three service centers: the Denver Administrative Service Center (DASC) operated by the Bureau of Reclamation, the Washington Administrative Service Center (WASC) operated by the U.S. Geological Survey, and the Interior Service Center (ISC) operated by the Office of the Secretary. Today, the demand for, and interest in, cross-servicing is increasing in conjunction with streamlining, reinvention, and other NPR initiatives. These service centers maintain a unique competitive position and exercise leadership in providing cost effective services to Interior and non-Interior clients. These organizations have become proven alternatives for agencies that wish to reduce costs associated with administrative systems and support services, achieve economies-of-scale, and produce operating efficiencies.

Currently, the Department's Denver and Washington Administrative Service Centers and the Interior Service Center provide a variety of administrative systems and support services on a reimbursable basis under the Economy Act. These organizations operate in an entrepreneurial environment, cross-servicing bureaus and other agencies through interagency agreements. Their mission is to provide cost effective, high quality administrative systems and support services that are responsive to customer needs. Today, these organizations provide administrative systems and support services to over 80 customers in the following areas:

- Personnel, payroll, procurement, and financial management systems and operations,
- Support services, such as general purpose

mainframe computer timesharing, computer-based training products, and electronic commerce, and

- Aircraft services in business systems and services, aircraft acquisitions, technical assistance, and aviation safety.

Interior has been selected to establish a Franchise Fund Pilot Program under the provisions of the Government Management Reform Act (GMRA) of 1994. Appropriation language was submitted to Congress as part of the FY 1997 budget to establish the Franchise Fund Pilot Program and is currently under consideration by Congress as part of the FY 1997 appropriation process.

To assist in managing these organizations and coordinating the efforts of the Service Centers, the Department has established an Administrative Service Advisory Board to provide executive management leadership and guidance to Interior service providers who offer administrative services on a fee-for-service or reimbursable basis, and to provide departmental strategic planning direction for administrative services. The Board provides advice and recommendations to the Assistant Secretary - Policy, Management and Budget (PMB), service providers and their respective lead agencies. The Advisory Board began meeting in April 1996, and is currently developing its agenda for FY 1997. The agenda will likely include recommended policies on which services should be procured competitively, determining how to begin measuring performance of the Service Centers, and how to coordinate and manage joint initiatives.

Denver Administrative Service Center

The DASC is an established provider of a wide range of administrative systems and services to



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the Department, as well as numerous other Federal agencies. The DASC operates in an entrepreneurial environment whereby customer service and quality, cost competitive products are key. The DASC's success has been built on the fundamental, underlying principle of providing "value added" and cost savings to clients, the Federal Government, and the American taxpayer. The DASC operates within a Working Capital Fund (WCF) on a fully reimbursable, cost competitive basis.

Products and services provided by the DASC are primarily in the areas of payroll and personnel, accounting, automated systems, quarters management, and training. The PAY/PERS System continues to provide payroll and personnel support to all of the Department, as well as, many other Federal agencies. The new Federal Personnel Payroll System (FPPS), which will replace the PAY/PERS System, is nearing development completion and will be implemented in the first quarter of FY 1997. FPPS will provide clients with a modern, online data base management system that fully integrates payroll/personnel activities. Accounting services are provided to the Department and other Federal agencies through the Federal Financial System (FFS). These services include accounting system and technical support, as well as accounting operations including administrative payments. Additional services provided by the DASC include computer timesharing, rental rate setting for government quarters, and training.

The DASC continues to experience steady consistent growth in both programs and clients. New client interest in DASC systems and services is at an all time high. Recent commitments from new clients in payroll/personnel services will

double the existing service base. DASC accounting services, especially administrative payments, has expanded dramatically. As a result of this solid growth as a cross-servicing provider of administrative systems and services, substantial economies of scale are now significantly benefitting not only new clients, but the Department and other existing clients as well.

Washington Administrative Service Center

The WASC is currently providing services related to the: FFS; Fixed Assets and Inventory Subsystems; IDEAS; Procurement Data Reporting System; Automated Vacancy Announcement System; Electronic Commerce; Electronic Time and Attendance System; Mainframe Time Sharing; World Wide Web Publishing; and Accounting Operations including consulting type accounting services such as operational reviews, requirement analysis, Treasury reporting, training, and quality assurance. Interior customers will continue to be cross-serviced through the WCF.

The WASC is currently working on several new products and enhancements. These include, the development of a Windows-based version of IDEAS, including an interface between IDEAS and FFS. The interface will enable users to pass commitments, obligations and receiving reports from IDEAS to FFS. In addition, the WASC is working on partnering with American Management Systems (AMS) on development of its new Program Office Desktop product (POD). The POD is a state of the art client/server application using the latest technologies including object-oriented design and development technologies. Also in development are Hyperion Enterprise EIS/DSS software that provides senior management with visual information access to summary level



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management data and information from selected transaction based systems, and Flashpoint - a desktop integration package developed by Sterling Software that provides solutions to the most serious user access problems associated with legacy systems, such as FFS, and reduces the time needed to learn and use FFS while providing a method to easily extract information from FFS. Flashpoint allows FFS to operate in a friendly “GUI” environment.

Interior Service Center

The ISC is providing a wide range of administrative and operations services through the Office of the Secretary’s WCF to bureaus and offices, as well as other Federal agencies. The ISC delivers cost-effective products and services that meet customers’ service and quality demands. Its goal is to be an excellent entrepreneurial service provider. The ISC operates on a fully reimbursable, cost competitive basis. Products and services provided by the ISC fall into two primary areas: aviation services offered by the Office of Aircraft Services (OAS) headquartered in Boise, ID., and support services that match many of the normal operational support needed by a programmatic unit or agency, provided from the ISC’s Washington, DC base.

Operational support services and products fall into 5 broad categories. The ISC provides accounting, payable and receivable transactions, acquisitions, as well as management of shipments and household moves. In communications and information services, the ISC supports clients with an excellent graphics shop, print and copier services, mail and locator services, document management and computer and telecommunications services. The ISC provides space planning, management and leasing, alterations, and facilities management and maintenance. The ISC have a range of specialized employee services

including occupational health nurses who provide workers compensation case management; reviewers to establish qualification for special law enforcement and fire retirement, adjudicate security clearances, and assure compliance with ethics forms filing; and contracts for drug testing that are available to and used by over 60 agencies. The ISC provides training and development services through 4 learning centers, including consultation on training needs and use, alternatives to training, program design, and a thriving, hands-on re-engineering training practice.

Aviation services is an area of special expertise within the ISC. The OAS provides technical expertise, training, acquisition, and aviation program and safety management to eight bureaus within Interior and a number of other agencies and cooperators. OAS can operate the aviation program for a client, or establish an in-house program for a client, or create a mix of both. Over 85 percent of all aviation managed by OAS is contracted with private sector firms. OAS has unique expertise in very specialized flying missions, particularly those that require small planes, flying in remote areas, search and rescue in difficult terrains, or flying to achieve environmental objectives and land management. OAS has good working relationships with the aviation industry and with other Federal agencies active in aviation oversight.

Franchise Fund

The Department submitted an application to OMB for consideration as a Franchise Fund Pilot Program established by the GMRA. The plan was approved by OMB and the Department received its designation as a franchise pilot on May 17,



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1996. The Department franchise activities will, at the present, be primarily centered in the WASC for providing non-Interior client with selected services through the Departmental Franchise Fund. However, selected services provided by the DASC and ISC are expected to be included in the pilot during FY 1997.

The Department proposes to implement the Franchise Fund Pilot Program under the leadership of its Deputy Chief Financial Officer. There will also be a Franchise Board consisting of Departmental Service providers and customers which will provide overall guidance in franchise operations.

The Department's goal is to offer a full range of administrative systems and support services for non-Interior clients that desire high quality and cost effective support. Criteria in selecting franchise services to be offered include the requirement that they: add value to our customers; reduce costs; and, be capable of being performed on a competitive basis. The Department will evaluate potential franchise services against these criteria: considering the unit cost of the product or service; the potential of the service becoming self-sustaining at a competitive level; the ease with which the service can be implemented and operated; the relative value of the service to customers and the government; and, the degree of support within the Department and the government for the franchise service. These qualifying criteria will be applied consistently to ensure quality services are offered, and that any new services are appropriate.

The proposed franchising services will build on the foundation of cross-servicing currently performed in the administrative systems and

support services areas. Customer-focused attention on agency requirements would make it possible to extend a variety of franchise services and products to new customers at attractive prices. The plan would allow customers to choose from a wide range of administrative and general support services. Where appropriate, existing customer bases and services would be incorporated into the franchise pilot program. Franchise services would be offered to customers on a competitive and voluntary basis. The list of franchise services would grow as new markets and targets of opportunity present themselves.

The WASC is identifying potential franchise customers and developing proposals for cross-servicing with several new clients. They are finalizing a customer service level agreement which, along with the reimbursable agreement, will provide the customer quality level assurances and guarantees if that quality is not achieved. The WASC is also working on a Marketing Strategy for the future, mapping out our future directions and better marketing procedures to enable us to get there.

The Department is committed to work with both OMB and the Department's Congressional committees to ensure the development of a high quality pilot program for franchise services.